

SB 6220 - S AMD 605

By Senators Braun, Mullet

ADOPTED 03/05/2014

1 On page 1, after line 9, insert the following:

2
3 "Sec. 2. RCW 66.24.055 and 2013 2nd sp.s. c 12 s 1 are each
4 amended to read as follows:

5 (1) There is a license for spirits distributors to (a) sell
6 spirits purchased from manufacturers, distillers, or suppliers
7 including, without limitation, licensed Washington distilleries,
8 licensed spirits importers, other Washington spirits distributors, or
9 suppliers of foreign spirits located outside of the United States, to
10 spirits retailers including, without limitation, spirits retail
11 licensees, special occasion license holders, interstate common carrier
12 license holders, restaurant spirits retailer license holders, spirits,
13 beer, and wine private club license holders, hotel license holders,
14 sports entertainment facility license holders, and spirits, beer, and
15 wine nightclub license holders, and to other spirits distributors; and
16 (b) export the same from the state.

17 (2) By January 1, 2012, the board must issue spirits distributor
18 licenses to all applicants who, upon December 8, 2011, have the right
19 to purchase spirits from a spirits manufacturer, spirits distiller, or
20 other spirits supplier for resale in the state, or are agents of such
21 supplier authorized to sell to licensees in the state, unless the
22 board determines that issuance of a license to such applicant is not
23 in the public interest.

24 (3)(a) As limited by (b) and (c) of this subsection and subject to
25 (~~(+e)~~) (d) of this subsection, each spirits distributor licensee must
26 pay to the board, for deposit into the liquor revolving fund, a
27 license issuance fee calculated as follows:

1 (i) In each of the first twenty-seven months of licensure, ten
2 percent of the total revenue from all the licensee's sales of spirits
3 made during the month for which the fee is due, respectively; and

4 (ii) In the twenty-eighth month of licensure and each month
5 thereafter, five percent of the total revenue from all the licensee's
6 sales of spirits made during the month for which the fee is due,
7 respectively.

8 (b) The fee required under this subsection (3) is calculated only
9 on sales of items which the licensee was the first spirits distributor
10 or other licensee in the state to have received:

11 (i) In the case of spirits manufactured in the state, from the
12 distiller; or

13 (ii) In the case of spirits manufactured outside the state, from
14 an authorized out-of-state supplier.

15 (c) The fee required under this subsection (3) is only required to
16 be paid by the spirits distributor that is the first in the state to
17 possess the spirits.

18 (d) By March 31, 2013, all persons holding spirits distributor
19 licenses on or before March 31, 2013, must have paid collectively one
20 hundred fifty million dollars or more in spirits distributor license
21 fees. If the collective payment through March 31, 2013, totals less
22 than one hundred fifty million dollars, the board must, according to
23 rules adopted by the board for the purpose, collect by May 31, 2013,
24 as additional spirits distributor license fees the difference between
25 one hundred fifty million dollars and the actual receipts, allocated
26 among persons holding spirits distributor licenses at any time on or
27 before March 31, 2013, ratably according to their spirits sales made
28 during calendar year 2012. Any amount by which such payments exceed
29 one hundred fifty million dollars by March 31, 2013, must be credited
30 to future license issuance fee obligations of spirits distributor
31 licensees according to rules adopted by the board.

32 ~~((d))~~ (e) A retail licensee selling for resale must pay a
33 distributor license fee under the terms and conditions in this section
34 on resales of spirits the licensee has purchased on which no other

1 distributor license fee has been paid. The board must establish rules
2 setting forth the frequency and timing of such payments and reporting
3 of sales dollar volume by the licensee, with payments due quarterly in
4 arrears.

5 ~~((e))~~ (f) No spirits inventory may be subject to calculation of
6 more than a single spirits distributor license issuance fee.

7 (4) In addition to the payment set forth in subsection (3) of this
8 section, each spirits distributor licensee renewing its annual license
9 must pay an annual license renewal fee of one thousand three hundred
10 twenty dollars for each licensed location.

11 (5) There is no minimum facility size or capacity for spirits
12 distributor licenses, and no limit on the number of such licenses
13 issued to qualified applicants. License applicants must provide
14 physical security of the product that is substantially as effective as
15 the physical security of the distribution facilities currently
16 operated by the board with respect to preventing pilferage. License
17 issuances and renewals are subject to RCW 66.24.010 and the
18 regulations promulgated thereunder, including without limitation
19 rights of cities, towns, county legislative authorities, the public,
20 churches, schools, and public institutions to object to or prevent
21 issuance of local liquor licenses. However, existing distributor
22 premises licensed to sell beer and/or wine are deemed to be premises
23 "now licensed" under RCW 66.24.010(9)(a) for the purpose of processing
24 applications for spirits distributor licenses.

25
26 **Sec. 3.** RCW 66.24.630 and 2012 2nd sp.s. c 6 s 401 are each
27 amended to read as follows:

28 (1) There is a spirits retail license to: Sell spirits in
29 original containers to consumers for consumption off the licensed
30 premises and to permit holders; sell spirits in original containers to
31 retailers licensed to sell spirits for consumption on the premises,
32 for resale at their licensed premises according to the terms of their
33 licenses, although ~~((no single sale may exceed twenty-four))~~ sales by
34 a single spirits retail licensee to a single retailer licensed to sell

1 for consumption on the premises on any business day may not exceed
2 sixty liters, unless the sale is by a licensee that was a contract
3 liquor store manager of a contract liquor store at the location of its
4 spirits retail licensed premises from which it makes such sales; and
5 export spirits. Until July 1, 2016, sales made to retailers licensed
6 to sell spirits for consumption on the premises must be made at the
7 location of the spirits retail licensed premises and may not be
8 delivered to a retailer licensed to sell spirits for consumption on
9 the premises.

10 (2) For the purposes of this title, a spirits retail license is a
11 retail license, and a sale by a spirits retailer is a retail sale only
12 if not for resale. Nothing in this title authorizes sales by on-sale
13 licensees to other retail licensees. The board must establish by rule
14 an obligation of on-sale spirits retailers to:

15 (a) Maintain a schedule by stock-keeping unit of all their
16 purchases of spirits from spirits retail licensees, indicating the
17 identity of the seller and the quantities purchased; and

18 (b) Provide, not more frequently than quarterly, a report for each
19 scheduled item containing the identity of the purchasing on-premise
20 licensee and the quantities of that scheduled item purchased since any
21 preceding report to:

22 (i) A distributor authorized by the distiller to distribute a
23 scheduled item in the on-sale licensee's geographic area; or

24 (ii) A distiller acting as distributor of the scheduled item in
25 the area.

26 (3)(a) Except as otherwise provided in (c) of this subsection, the
27 board may issue spirits retail licenses only for premises comprising
28 at least ten thousand square feet of fully enclosed retail space
29 within a single structure, including storerooms and other interior
30 auxiliary areas but excluding covered or fenced exterior areas,
31 whether or not attached to the structure, and only to applicants that
32 the board determines will maintain systems for inventory management,
33 employee training, employee supervision, and physical security of the
34 product substantially as effective as those of stores currently

1 operated by the board with respect to preventing sales to or pilferage
2 by underage or inebriated persons.

3 (b) License issuances and renewals are subject to RCW 66.24.010
4 and the regulations promulgated thereunder, including without
5 limitation rights of cities, towns, county legislative authorities,
6 the public, churches, schools, and public institutions to object to or
7 prevent issuance of local liquor licenses. However, existing grocery
8 premises licensed to sell beer and/or wine are deemed to be premises
9 "now licensed" under RCW 66.24.010(9)(a) for the purpose of processing
10 applications for spirits retail licenses.

11 (c) The board may not deny a spirits retail license to an
12 otherwise qualified contract liquor store at its contract location or
13 to the holder of former state liquor store operating rights sold at
14 auction under RCW 66.24.620 on the grounds of location, nature, or
15 size of the premises to be licensed. The board may not deny a spirits
16 retail license to applicants that are not contract liquor stores or
17 operating rights holders on the grounds of the size of the premises to
18 be licensed, if such applicant is otherwise qualified and the board
19 determines that:

20 (i) There is no retail spirits license holder in the trade area
21 that the applicant proposes to serve;

22 (ii) The applicant meets, or upon licensure will meet, the
23 operational requirements established by the board by rule; and

24 (iii) The licensee has not committed more than one public safety
25 violation within the three years preceding application.

26 (d) A retailer authorized to sell spirits for consumption on or
27 off the licensed premises may accept delivery of spirits at its
28 licensed premises or at one or more warehouse facilities registered
29 with the board, which facilities may also warehouse and distribute
30 nonliquor items, and from which the retailer may deliver to its own
31 licensed premises and, pursuant to sales permitted under subsection
32 (1) of this section:

33 (i) To other retailer premises licensed to sell spirits for
34 consumption on the licensed premises;

1 (ii) To other registered facilities; or
2 (iii) To lawful purchasers outside the state. The facilities may
3 be registered and utilized by associations, cooperatives, or
4 comparable groups of retailers, including at least one retailer
5 licensed to sell spirits.

6 (4)(a) Except as otherwise provided in (b) of this subsection,
7 each spirits retail licensee must pay to the board, for deposit into
8 the liquor revolving fund, a license issuance fee equivalent to
9 seventeen percent of all spirits sales revenues under the license,
10 exclusive of taxes collected by the licensee and of sales of items on
11 which a license fee payable under this section has otherwise been
12 incurred. The board must establish rules setting forth the timing of
13 such payments and reporting of sales dollar volume by the licensee,
14 with payments required quarterly in arrears. The first payment is due
15 October 1, 2012.

16 (b) This subsection (4) does not apply to craft distilleries.

17 (5) In addition to the payment required under subsection (4) of
18 this section, each licensee must pay an annual license renewal fee of
19 one hundred sixty-six dollars. The board must periodically review and
20 adjust the renewal fee as may be required to maintain it as comparable
21 to annual license renewal fees for licenses to sell beer and wine not
22 for consumption on the licensed premises. If required by law at the
23 time, any increase of the annual renewal fee becomes effective only
24 upon ratification by the legislature.

25 (6) As a condition to receiving and renewing a retail spirits
26 license the licensee must provide training as prescribed by the board
27 by rule for individuals who sell spirits or who manage others who sell
28 spirits regarding compliance with laws and regulations regarding sale
29 of spirits, including without limitation the prohibitions against sale
30 of spirits to individuals who are underage or visibly intoxicated.
31 The training must be provided before the individual first engages in
32 the sale of spirits and must be renewed at least every five years.
33 The licensee must maintain records documenting the nature and
34 frequency of the training provided. An employee training program is

1 presumptively sufficient if it incorporates a "responsible vendor
2 program" promulgated by the board.

3 (7) The maximum penalties prescribed by the board in WAC 314-29-
4 020 through 314-29-040 relating to fines and suspensions are doubled
5 for violations relating to the sale of spirits by retail spirits
6 licensees.

7 (8)(a) The board must promulgate regulations concerning the
8 adoption and administration of a compliance training program for
9 spirits retail licensees, to be known as a "responsible vendor
10 program," to reduce underage drinking, encourage licensees to adopt
11 specific best practices to prevent sales to minors, and provide
12 licensees with an incentive to give their employees ongoing training
13 in responsible alcohol sales and service.

14 (b) Licensees who join the responsible vendor program under this
15 section and maintain all of the program's requirements are not subject
16 to the doubling of penalties provided in this section for a single
17 violation in any period of twelve calendar months.

18 (c) The responsible vendor program must be free, voluntary, and
19 self-monitoring.

20 (d) To participate in the responsible vendor program, licensees
21 must submit an application form to the board. If the application
22 establishes that the licensee meets the qualifications to join the
23 program, the board must send the licensee a membership certificate.

24 (e) A licensee participating in the responsible vendor program
25 must at a minimum:

26 (i) Provide ongoing training to employees;

27 (ii) Accept only certain forms of identification for alcohol
28 sales;

29 (iii) Adopt policies on alcohol sales and checking identification;

30 (iv) Post specific signs in the business; and

31 (v) Keep records verifying compliance with the program's
32 requirements."

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1 **SB 6220** S AMD

2 By Senator Braun

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4 On page 1, line 1 of the title, after "Relating to" strike the
5 remainder of the title and insert "spirits retailers when selling for
6 resale; amending RCW 66.24.055 and 66.24.630; and adding a new section
7 to chapter 66.24 RCW."

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EFFECT: Limits sales by a single spirits retail licensee to a single retailer licensed to sell for consumption on the premises on any business day to 60 liters. Until July 1, 2016, such sales must be made at the spirits retail licensee's location and delivery cannot occur.

Requires the party that first possesses spirits in the state to pay the spirits distributor fee.

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